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Thirty Ninth

ANNUAL REPORT

INDUSTRIAL ACCEPTANCE CORPORATION LIMITED 1963

DIRECTORS

STEWART G. BENNETT

FRANK M. COVERT, Q.C.

*HON. GEORGE B. FOSTER, Q.C.

*PETER KILBURN

LOUIS A. LAPOINTE, Q.C.

ARTHUR J. MORRIS

*JOHN L. O'BRIEN, Q.C.

*JOHN B. PENNEFATHER
Vice-Chairman of the Executive Committee

*JOSEPH H. RANAHAN
Chairman of the Executive Committee

RT. HON. LOUIS S. ST-LAURENT, Q.C., LL.D., P.C.

ARTHUR A. SCHMON

AUSTIN C. TAYLOR

JOHN M. WELLS

*GRANT E. WEMP

DENNIS K. YORATH

*Member of the Executive Committee of the Board.

OFFICERS

GRANT E. WEMP**
Chairman of the Board

JOSEPH H. RANAHAN**
Vice-Chairman of the Board

JOHN B. PENNEFATHER**
President

J. H. L. ROSS**
Executive Vice-President, Corporate Development

L. E. NICHOL**
Vice-President and General Manager

J. C. EMO**
Vice-President and Deputy General Manager

K. H. MacDONALD
Vice-President and General Sales Manager

K. J. DOIG, F.C.I.S.**
Vice-President, Finance

B. J. STAFFORD**
Assistant Vice-President, Special Projects

C. W. NEILD**
Assistant Vice-President, Operations

R. E. CAMPBELL
Assistant Vice-President, Operations

D. W. MALONEY
Assistant Vice-President and Sales Manager, Motor Vehicle Division

F. P. PARADIS
Assistant Vice-President, Operations

E. W. McCRACKEN
Secretary

C. A. McCRAE, C.A.
Treasurer

**Member of the IAC Quarter Century Club.

ANNUAL MEETING 11.30 A.M., APRIL 22, 1964 • QUEEN ELIZABETH HOTEL, MONTREAL, QUEBEC

RAPPORT ANNUEL

IAC

INDUSTRIAL ACCEPTANCE CORPORATION LIMITED

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Des exemplaires du Rapport annuel de l'IAC peuvent être obtenus en français ou en anglais. Si vous désirez recevoir un exemplaire en français du rapport de cette année et des années suivantes, s'il vous plaît remplir et nous retourner cette carte affranchie. Merci.

Copies of the IAC Annual Report are available in both French and English. If you would like to receive a French copy of this year's and future reports, please complete and return this prepaid card. Thank you.

ANNUAL MEETING 11.30 A.M., APRIL 22, 1964 • QUEEN ELIZABETH HOTEL, MONTREAL, QUEBEC

INDUSTRIAL ACCEPTANCE CORPORATION LIMITED

THIRTY-NINTH

ANNUAL REPORT

1963

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OPERATING AND STATISTICAL HIGHLIGHTS

COMMON STOCK FACTS	1963	1962
Earnings available for common shares	$ 10,851,188	$ 10,924,175
Per share outstanding at year end	$1.84	$1.85
Dividends paid to holders of common shares	$ 6,041,953	$ 5,887,844
Per share	$1.025	$1.00
Ratio to available earnings	55.7%	53.9%
Number of shareholders	11,144	9,760
Number of shares outstanding	5,897,375	5,889,945
Owned by Canadians	83.5%	78.2%
Book value per share	$15.06	$14.25

EARNINGS RATIOS		
Interest on secured term notes and debentures times earned	2.37	2.60
Interest on debentures times earned*	5.14	5.32
Preferred dividends times earned	19.70	14.13

TAXES		
Income, property, etc.	$ 12,165,077	$ 13,046,910
Per common share outstanding at year end	$2.06	$2.22

VOLUME OF BUSINESS		
Sales financing — retail	$368,319,607	$359,730,368
— wholesale	$486,679,026	$386,246,893
Loans	$182,569,997	$168,762,122
Net casualty insurance premiums written	$10,951,047	$11,521,470
New life assurance business written — ordinary	$29,300,000	$23,800,000
— group	$190,600,000	$700,000

PEOPLE EMPLOYED		
Merit Insurance Company	451	468
Niagara Finance Company Limited	744	700
The Sovereign Life Assurance Company of Canada	304	320
IAC and other subsidiaries	1,967	1,963
Total number employed	3,466	3,451

**Prior deduction method has been used to conform to formula in trust agreements.*

REPORT OF THE DIRECTORS

G. E. Wemp, *Chairman of the Board;* J. B. Pennefather, *President and* J. H. Ranahan, *Vice-Chairman of the Board.*

TO THE SHAREHOLDERS:

The Board of Directors herewith submits its 39th Annual Report. For the convenience of readers, a summary of operating and statistical highlights for 1963, with 1962 comparisons, is presented on the facing page. A more detailed review follows.

CONSOLIDATED STATEMENT OF EARNINGS (Page 8)

Gross income for the year reached an all-time high at over 86 million dollars and was 4.6% above the 1962 total. However, this increase compared with a rise during the year of 12.6% in the average amount of earning assets. This spread resulted from the reductions in charges for the purchase of receivables referred to in last year's report, as well as from the higher portion of assets in lower yield categories such as wholesale receivables, marketable securities and commercial paper.

Interest expenditure was higher by 16.6% as the result of higher borrowings caused largely by the increase in earning assets. The average rate of interest on all borrowings was just under that for 1962.

Claims incurred by the casualty insurance subsidiary were lower by $79,851 but premiums earned were down in greater proportion. As a result, the net loss for the year of this subsidiary was equal to fourteen cents per share and was greater than the loss for 1962 by the equivalent of nine cents per share.

General and administrative expenses were up 5.2% which compared well with the 12.6% increase in earning assets under administration during the year. As a ratio to gross income, these expenses were less than one per cent higher.

Included for the first time were the earnings accruing to your parent company from the non-consolidated life assurance subsidiary. The balance sheet, statement of income and other pertinent data on this company appear on pages 18 and 19 of this report.

Finally, net earnings available for all dividends were $11,431,388, a decrease from 1962 of $324,798 or 2.7%.

CONSOLIDATED STATEMENT OF RETAINED EARNINGS (Page 9)

Due to the redemption on February 28, 1963 of the 5½% $50 par value preferred stock, the total of dividends paid during 1963 on the preferred shares as a class was lower than the 1962 total by $251,811.

Consequently, net earnings applicable to the common shares reflected this saving and at $10,851,188, were down by $72,987 or less than 1% from 1962. On the 5,897,375 shares outstanding at the end of 1963, such earnings equalled $1.84 per share, compared to $1.85 on 5,889,945 shares for 1962.

DIVIDENDS ON COMMON SHARES

Effective the last quarter, the rate of common dividend was increased by 10% which, applied

to a larger number of shares outstanding, resulted in an increased distribution of $154,109. Since 1951, there has been only one year, 1954, when there was no increase in the amount of dividends paid per common share.

CONSOLIDATED BALANCE SHEET
(Page 10)

Total assets at a record high of over 747 million dollars, were 77.9 million dollars or 11.6% above the total at the end of 1962.

Receivables were in satisfactory condition with delinquencies, defaults and losses in good relation to averages established over the past several years. Consequently, provision for doubtful receivables was not increased.

Total demand and short term debt was higher at year end by 56.6 million dollars and totalled $281,333,109. This was 50.7% of total debt and is considered a sound ratio. Short term debt alone, which was the lowest cost category, included a 3 to 29 day term introduced in 1963 and was up by 38.3 million dollars. Total debt, short and long, increased by 70.6 million dollars to $555,119,129, a ratio of 5.53 times net worth. The ratio at December 31, 1962 was 4.78 times net worth and management feels that the optimum is somewhat higher than the current ratio.

After all dividends and other charges, consolidated retained earnings increased during the year by $4,676,396 or 8.5% to $59,357,375, while total net worth declined slightly due to the redemption of the 5½% preferred stock.

GENERAL COMMENTS

Your parent company's volume of retail sales financing for the year was higher than the 1962 total by 2.4%. Receivables were purchased from over 10,000 dealers or merchants selling every kind of durable goods including passenger cars, trucks, trailers, industrial and commercial equipment, agricultural and farm machinery, home appliances, heating and air conditioning units, boats, marine and communications equipment and many others.

Sales of such goods financed at the wholesale level, that is, from manufacturers or distributors to their dealers, rose 26% and at the year end, resulting receivables outstanding were 32.4% higher than at the previous year end. These were record levels for this category of receivables and the related inventories were turning over satisfactorily.

The volume of loans made by the Capital Funds Division during the year rose by 35.9% and, at year end, such receivables outstanding were at a substantially higher level than at the previous year end. While the business of this Division continues to expand, percentage increases will be smaller as the base for comparison gets larger.

Your parent company developed a small increase in net profit despite a combination of lower charges on receivables purchased and a larger portion of receivables in the lower yield categories. These factors resulted in a further reduction in the ratio of earned income (excluding dividends) to average assets employed (excluding investment in shares) from 9.90% for 1962 to 9.37% for 1963.

Niagara Finance Company Limited ended the year with outstanding receivables 5% above the previous year end. This represented an increase of over 9,600 customers on the books and the trend was upward at the year end. There was some rise in credit losses plus an increase of 3.25% in general expenses, expressed as a per cent of income, largely attributable to the opening of ten more branches during the year. Net profit was almost 1% above the 1962 total.

In June 1963, a new Managing Director for Merit Insurance Company was appointed. In the latter half of the year, a searching and lengthy analysis of this company's business was conducted. As a result, the writing of certain classes of business was discontinued, with final termination of these

risks in February 1964. One such class alone accounted for two thirds of the net loss for the year. Aside from these losses, it is quite clear that the rate structure under which the casualty insurance industry as a whole has been operating has been too low.

THE BOARD OF DIRECTORS

During the year, your Board met monthly except in July. Items of particular interest to the shareholders are summarized chronologically hereunder.

In January, the 5½% preferred stock was called for redemption.

At the February meeting, J. H. L. Ross was appointed Executive Vice-President, Corporate Development and L. E. Nichol, a Vice-President, was appointed General Manager of your parent company.

In March, Series 27, 5¼% Secured Term Notes in the principal amount of $10,000,000 U.S. due April 1988, was approved for issue.

At the Annual Meeting in April, L. A. Lapointe, Q.C., and J. M. Wells were welcomed to your Board as new members, replacing Ross Clarkson, D.C.L., and the Honourable Wilfrid Gagnon who did not stand for re-election.

Both retiring directors had served the shareholders well and faithfully; the Honourable Wilfrid Gagnon since his election in May 1941 and Ross Clarkson, D.C.L., since July 1957. Each had made important contributions to the progress of your company.

At the meeting of the Board following the Annual Meeting, J. H. Ranahan, who had been President since January 1, 1958, was elected Vice-Chairman of the Board and Chairman of the newly created Executive Committee of the Board; J. B. Pennefather, formerly Executive Vice-President, was elected President and Vice-Chairman, Executive Committee; J. C. Emo, a Vice-President, was appointed to be Deputy General Manager and

At a reception following the May board meeting in Quebec City, IAC directors meet personnel of the IAC Group of Companies.

F. P. Paradis to be an Assistant Vice-President.

The May meeting was held in Quebec City, and was followed by a reception for representatives of business, education and government.

The death of the Honourable Wilfrid Gagnon on June 9, 1963, was recorded with deep regret by the Board at its meeting later that month. Your Board is one of many to miss his wise counsel and warm personality.

At the February 1964 meeting, your Board called for redemption on March 30th next the outstanding 4½% $50 par value preferred shares of your company. A fixed dividend requirement will be eliminated which would have been $130,734 for the remainder of the year.

It should also be noted that the Executive Committee of your Board met seven times thereby considerably aiding both the Board and Management in the discharge of their duties.

PROSPECTS FOR 1964

Indices of future trends in the economy, strongly support a view that 1964 will be a year of sustained

growth in this country. Because consumer demand is one of the main generators of this growth, your company, which plays a major role in the satisfaction of such demand, is in a very favourable position to continue its growth at a rate as least equal to that of the economy as a whole. It started 1964 with consolidated receivables higher by 73 million dollars than they were a year earlier which, in turn, were 72 million dollars above the year before. These figures indicate good growth momentum.

Your parent company has scheduled the opening of a number of new branches for 1964, which with new and improved sales plans now in effect, including some rate reductions, should ensure an increased volume of business. Assuming that the cost of borrowed money remains constant, the volume now being handled plus the increase anticipated, indicate a satisfactory profit margin for your parent company.

Niagara Finance Company Limited closed the year on a rising volume trend which has been well maintained this year to date. This growth should be further stimulated as the many newer branches, eleven of which are less than a year old, develop their potential more fully.

To provide a base for the further growth indicated, your parent company increased its investment in the capital of Niagara Finance Company Limited by $3,000,000 and that company, in turn, paid a dividend of the same amount to your parent company. The latter also made an initial capital investment of $100,000 in each of two new mortgage companies.

The new mortgage lending services are being offered through Niagara Mortgage & Loan Company Limited and Niagara Realty Limited and show encouraging growth possibilities. They are expected to contribute to earnings this year. For these reasons, another satisfactory year is in prospect.

Merit Insurance Company results will be an important factor in establishing the level of consolidated earnings for 1964. For the reasons already given, there are good grounds for assuming an improvement this year, but the sufficiency or otherwise of the higher rate structure, already in effect for 1964, will be a key factor in the degree of improvement which may be shown. Only unfolding events will provide a definite answer.

SUMMARY

Constructive developments in 1963 for each of the companies comprising the IAC Group as outlined above, particularly when viewed against a strong economic background, are good reasons for anticipating satisfactory results for the year.

PERSONNEL

Your directors wish to record their warm appreciation and to express their thanks to the management and staff of the IAC Group of Companies. Their resourcefulness, efficiency and hard work, combined with a customer-oriented approach to their day-by-day responsibilities, have made possible your company's achievements during the year just past.

On behalf of the Board,

Chairman

President

February 26, 1964

AUDITORS' REPORT TO THE SHAREHOLDERS

McDONALD, CURRIE & CO.
CHARTERED ACCOUNTANTS

INTERNATIONAL FIRM
COOPERS & LYBRAND

TELEPHONE 875-5140
630 DORCHESTER BOULEVARD WEST
MONTREAL 2, CANADA

February 10, 1964

We have examined the consolidated balance sheet of Industrial Acceptance Corporation Limited and its subsidiary companies as at December 31, 1963 and the consolidated statements of earnings and retained earnings for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In accordance with the provisions of Section 118 of the Companies Act, we report that the portion of the earnings for the year of the non-consolidated life assurance subsidiary accruing to the parent company has been included in the accompanying accounts.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the companies, the accompanying consolidated balance sheet and consolidated statements of earnings and retained earnings are properly drawn up so as to exhibit a true and correct view of the consolidated state of the affairs of the companies as at December 31, 1963 and the consolidated results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

McDonald, Currie & Co.
CHARTERED ACCOUNTANTS

INDUSTRIAL ACCEPTANCE CORPORATION LIMITED and SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF EARNINGS

for the year ended December 31, 1963

	1963		1962	
GROSS INCOME (Note 1)		86,162,424		82,385,384
EXPENDITURE				
Interest —				
Notes	21,855,500		17,968,196	
Debentures	4,782,018		4,884,861	
	26,637,518		22,853,057	
Claims incurred by casualty insurance subsidiary	9,216,233		9,296,084	
General and administrative expenses (Note 2)	27,397,304	63,251,055	26,045,494	58,194,635
		22,911,369		24,190,749
PROVISION FOR TAXES ON INCOME		11,567,850		12,434,563
		11,343,519		11,756,186
EARNINGS FOR THE YEAR OF THE NON-CONSOLIDATED LIFE ASSURANCE SUBSIDIARY (Note 3)		87,869		—
NET EARNINGS FOR THE YEAR		$11,431,388		$11,756,186

NOTES:

1. Gross income includes earned service charges and interest on receivables, less provision for losses, plus earned casualty insurance premiums and income from investments.

2. General and administrative expenses include the following, shown in accordance with the provisions of the Companies Act:

	1963	1962
Executive officers' remuneration	$732,541	$724,616
Legal fees	142,505	129,751
Directors' fees	37,553	36,660
Depreciation of premises and equipment	759,483	828,622

3. That portion of the increase in unassigned surplus (less income taxes) accruing to the parent company.

IAC

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

for the year ended December 31, 1963

	1963		1962	
Net earnings for the year		11,431,388		11,756,186
Dividends on preferred shares		580,200		832,011
Earnings applicable to common shares		10,851,188		10,924,175
Dividends on common shares		6,041,953		5,887,844
Earnings retained in the business		4,809,235		5,036,331
Cost of issue of debentures	—		275,000	
Premium on redemption of 5½% preferred shares and tax thereon	238,752		—	
Profit on purchase and sinking fund operations	105,913	132,839	98,447	176,553
		4,676,396		4,859,778
Balance at beginning of year		54,680,979		49,821,201
Balance at end of year		$59,357,375		$54,680,979

NOTE:

The balance of retained earnings contained the following respective amounts set aside in the accounts as required by law equal to the par value of preferred shares redeemed

December 31, 1963 — $3,408,700

December 31, 1962 — $2,834,450

INDUSTRIAL ACCEPTANCE CORPORATION LIMITED and SUBSIDIARY COMPANIES

CONSOLIDATED BALANC

ASSETS

	1963	1962
CURRENT ASSETS		
Cash	5,842,795	7,568,172
Receivables —		
Sales financing — retail	403,836,908	388,004,979
— wholesale	94,764,101	71,588,696
Loans	179,909,893	146,163,258
Repossessions	322,686	218,277
Other	724,783	227,408
	679,558,371	606,202,618 +12
Provision for doubtful receivables	8,558,234	8,559,774
	671,000,137	597,642,844
Marketable securities — at cost or amortized values and accrued interest (quoted market value 1963 — $32,339,000 1962 — $54,681,000)	32,094,558	54,018,785
Short term commercial paper receivable	28,325,138	—
	60,419,696	54,018,785
	737,262,628	659,229,801
OTHER ASSETS		
Preferred stock purchase fund — cash	55,183	214,343
Investment in shares —		
Life assurance subsidiary (Note 1)	3,872,219	3,784,350
Associated and other companies — at cost	1,525,000	1,325,000
Prepaid expenses	1,128,240	1,141,071
Premises and equipment — at cost, less accumulated depreciation 1963 — $3,829,584 1962 — $3,519,861	3,953,270	4,181,993
	10,533,912	10,646,757
	$747,796,540	$669,876,558

SIGNED ON BEHALF OF THE BOARD

G. E. WEMP
J. B. PENNEFATHER } Directors

SHEET *as at December 31, 1963*

LIABILITIES

	1963	1962
CURRENT LIABILITIES		
Demand and short term notes	281,333,109	224,698,718
Accounts payable and accrued expenses	17,511,314	11,611,282
Taxes on income	5,346,727	5,266,031
Dealers' credit balances	13,960,937	12,892,416
	318,152,087	254,468,447
DEFERRED INCOME		
Unearned service charges	51,248,113	49,641,157
Unearned premiums of casualty insurance subsidiary	4,225,022	4,844,470
	55,473,135	54,485,627
SECURED TERM NOTES	189,442,020	173,095,770
DEBENTURES	84,344,000	86,712,000
SHAREHOLDERS' EQUITY		
Preferred stock	11,591,300	17,165,550
Common stock	29,436,623	29,268,185
	41,027,923	46,433,735
Retained earnings	59,357,375	54,680,979
	100,385,298	101,114,714
	$747,796,540	$669,876,558

NOTES:

1. The accounts of The Sovereign Life Assurance Company of Canada have not been included in the consolidation since the nature of its business does not permit a meaningful presentation in such consolidation. The investment in its shares is stated at cost plus the earnings accruing to the parent company since acquisition.
2. For details of secured term notes, debentures and capital stock see pages 14 and 15.

NOTES AND COMMENTS *relating to the Consolidated Balance Sheet*

ASSETS

CURRENT ASSETS	
Cash	Demand deposits in chartered banks and trust companies.
Receivables:	
Sales financing — retail	Balances owing by more than 364,000 purchasers of motor vehicles, domestic appliances and commercial and industrial equipment acquired from over 10,000 dealers throughout Canada and by over 16,000 purchasers of insurance from Merit Insurance Company. Security is the purchaser's promise to pay, title to the goods purchased and, in most cases, the dealer's endorsement and guarantee. Insurance receivables are secured by unearned premiums.
Sales financing — wholesale	Balances owing by upwards of 3,000 dealers throughout Canada on the wholesale cost or less of motor vehicles, appliances, etc., held for display and inventory purposes and to which title is held by the company.
Loans	Balances owing by over 200,000 customers of Niagara Finance Company Limited, Niagara Realty Limited and Niagara Mortgage & Loan Company Limited. These are mostly personal and small business loans secured by chattel mortgages or other documents on motor vehicles, homes, domestic and other equipment. Also capital loans made by the parent company to assist dealers to acquire and organize automobile and other agencies as well as loans made by its Capital Funds Division.
Repossessions	Goods in companies' hands as a result of default by purchaser, borrower and/or dealer, stated at estimated market values.
Other	Accrued charges and other current receivables largely unsecured.
Provision for doubtful receivables	The amount which, in the judgment of management and auditors, after a careful review of all the accounts at the year end, is adequate to meet possible losses.
Marketable securities	Investments of the parent company and its casualty insurance subsidiary. Those of the parent company plus commercial paper receivables constitute a pool of funds in which the daily fluctuations in money employed can be absorbed.
Short term commercial paper receivables	Short term promissory notes of corporate borrowers.
OTHER ASSETS	
Preferred stock purchase fund — cash	Cash set aside for purchase of preferred shares under requirements of relating by-laws.
Investment in shares:	
Life assurance subsidiary	Investment in the shares of The Sovereign Life Assurance Company of Canada, a wholly-owned subsidiary, at cost plus the earnings accruing to the parent company since acquisition.
Associated and other companies	Fifty per cent of the shares of Industrial-Talcott Limited and minority share holdings in Canborough Limited and Canadian Enterprise Development Corporation Limited, all of which are shown at cost.
Prepaid expenses	Unexpired insurance premiums, unamortized cost of alterations and improvements to office premises and unamortized short term note commissions.
Premises and equipment	Land and office buildings in Montreal, Toronto, Edmonton and St. John's at a cost of $2,177,383, less depreciation on buildings of $425,781. Office equipment and automobiles at cost of $5,605,471, less depreciation of $3,403,803.

NOTE: *Goods underlying receivables described above are, with some exceptions, covered by insurance and the balances owing by most individual purchasers or borrowers are covered by life insurance.*

LIABILITIES

CURRENT LIABILITIES

Demand and short term notes

Demand bank borrowings by parent company of $17,000,000 and its short term notes (up to 365 days) of $224,333,109 secured by pledge of receivables under a trust deed with the Montreal Trust Company. Also demand bank borrowings of Niagara Finance Company Limited of $40,000,000.

Accounts payable and accrued expenses

Accounts payable to manufacturers against motor vehicles and other goods shipped to dealers. Provision for estimated claims liability of Merit Insurance Company and sundry items payable, including taxes on insurance premiums, accrued interest on notes and debentures.

Taxes on income

Unpaid balance of estimated income and old age security taxes.

Dealers' credit balances

Balances held in respective dealer accounts subject to release against satisfactory performance.

DEFERRED INCOME

Unearned service charges

Service charges are credited to this account, to be taken into income, on the sum-of-the-digits method, as related receivables mature.

Unearned premiums of casualty insurance subsidiary

Premiums are credited to this account, to be taken into income over the term of the related policies.

SECURED TERM NOTES

Notes, the original terms of which exceeded one year and are secured by the trust deed mentioned above.

DEBENTURES

Unsecured promises to pay under conditions of trust agreements and ranking equally with other unsecured creditors but prior to the shareholders.

SHAREHOLDERS' EQUITY

Preferred stock

That class of investment, held by 1,613 owners, of whom 99.3% are Canadian, having certain preferences and limitations as to dividends and assets over common stock.

Common stock

Amount invested in 5,897,375 common shares held by 11,144 owners, of whom 92.8% are Canadian.

Retained earnings

Common shareholders' equity in earnings which have been re-invested in the company as working funds.

DETAILS OF SECURED TERM NOTES, DEBENTURES AND CAPITAL STOCK

as at December 31, 1963

SECURED TERM NOTES *(exclusive of those issued for a term not exceeding 365 days)*	1963		1962	
Series "E" 3½% due February 15, 1964		5,000,000		5,000,000
Series "J" 3½% due November 15, 1966		5,000,000		5,000,000
Series "L" 4¾% due October 1, 1964		2,000,000		2,000,000
Series "M" 4⅛% due March 2, 1968 — Proceeds of $10,000,000 received and payable in U.S. funds		9,825,938		9,825,938
Series "N" 5% due February 15, 1965		3,000,000		3,000,000
Series "O" 4¼% due July 2, 1972		10,000,000		10,000,000
Series "P" 4½% due December 15, 1970		6,000,000		6,000,000
Series "Q" 4½% due March 15, 1971		12,500,000		12,500,000
Series "S" 5½% due February 15, 1977 — Proceeds of $17,000,000 received and payable in U.S. funds		16,280,645		16,280,645
Series "T" 5¾% due April 1, 1979		6,000,000		6,000,000
Series "U" 6½% due December 1, 1974		12,500,000		12,500,000
Series "V" 6½% due December 1, 1979		5,000,000		5,000,000
Series "W" 6% due August 15, 1980		7,500,000		7,500,000
Series "X" 5¾% due November 15, 1981		8,500,000		8,500,000
Series "Y" 5.40% due July 2, 1982		10,000,000		10,000,000
Series "Z" 5¼% due October 1, 1982 — Proceeds of $10,000,000 received and payable in U.S. funds		10,792,187		10,792,187
Series "27" 5¼% due April 1, 1988 — Proceeds of $10,000,000 received and payable in U.S. funds		10,781,250		
Notes at various rates of interest —				
Maturing September 15, 1963	—		9,928,000	
Maturing September 15, 1964	9,021,000		8,988,000	
Maturing September 15, 1965	12,338,000		5,169,000	
Maturing September 15, 1966	10,348,000		5,780,000	
Maturing September 15, 1967	8,181,000		7,189,000	
Maturing September 15, 1968	3,043,000		2,968,000	
Maturing September 15, 1969	3,103,000		761,000	
Maturing September 15, 1970	719,000		714,000	
Maturing September 15, 1971	1,871,000		1,700,000	
Maturing September 15, 1972	138,000	48,762,000	—	43,197,000
		$189,442,020		$173,095,770

PREFERRED STOCK	1963 SHARES	1963 AMOUNT	1962 SHARES	1962 AMOUNT
Authorized and issued —				
4½% cumulative redeemable shares of $100 each	100,000	10,000,000	100,000	10,000,000
Redeemed and cancelled	23,218	2,321,800	19,033	1,903,300
	76,782	7,678,200	80,967	8,096,700
4½% cumulative redeemable shares of $50 each	100,000	5,000,000	100,000	5,000,000
Redeemed and cancelled	21,738	1,086,900	18,103	905,150
	78,262	3,913,100	81,897	4,094,850
5½% cumulative redeemable shares of $50 each	—	—	100,000	5,000,000
Redeemed and cancelled	—	—	520	26,000
	—	—	99,480	4,974,000
		$ 11,591,300		$ 17,165,550

DEBENTURES

	1963		1962	
Authorized and issued —				
4% sinking fund debentures				
due April 1, 1969	10,000,000		10,000,000	
Redeemed and cancelled	3,719,000	6,281,000	3,247,000	6,753,000
4% sinking fund debentures				
due March 1, 1970	2,500,000		2,500,000	
Redeemed and cancelled	1,603,000	897,000	1,252,000	1,248,000
5% sinking fund debentures				
due July 2, 1970	5,000,000		5,000,000	
Redeemed and cancelled	2,259,000	2,741,000	2,160,000	2,840,000
5% sinking fund debentures				
due January 2, 1971	5,000,000		5,000,000	
Redeemed and cancelled	2,848,000	2,152,000	2,651,000	2,349,000
5½% sinking fund debentures				
due July 2, 1973	5,000,000		5,000,000	
Redeemed and cancelled	2,591,000	2,409,000	2,497,000	2,503,000
5¼% sinking fund debentures				
due February 1, 1974	7,500,000		7,500,000	
Redeemed and cancelled	2,391,000	5,109,000	2,267,000	5,233,000
4½% sinking fund debentures				
due October 1, 1974	5,000,000		5,000,000	
Redeemed and cancelled	1,356,000	3,644,000	1,024,000	3,976,000
5¼% sinking fund debentures				
due June 1, 1975	5,000,000		5,000,000	
Redeemed and cancelled	1,262,000	3,738,000	1,073,000	3,927,000
5¾% debentures due January 15, 1977	12,000,000		12,000,000	
Redeemed and cancelled	3,032,000	8,968,000	2,660,000	9,340,000
6% debentures due September 1, 1977	5,000,000		5,000,000	
Redeemed and cancelled	318,000	4,682,000	318,000	4,682,000
5½% debentures due February 1, 1978	6,000,000		6,000,000	
Redeemed and cancelled	1,349,000	4,651,000	1,242,000	4,758,000
6% debentures due June 15, 1979	10,000,000		10,000,000	
Redeemed and cancelled	310,000	9,690,000	310,000	9,690,000
6¾% debentures due February 1, 1980		10,000,000		10,000,000
5¾% debentures due July 2, 1981	10,000,000		10,000,000	
Redeemed and cancelled	125,000	9,875,000	125,000	9,875,000
5¾% debentures due February 15, 1982	10,000,000		10,000,000	
Redeemed and cancelled	493,000	9,507,000	462,000	9,538,000
		$ 84,344,000		$ 86,712,000

COMMON STOCK

	1963		1962	
	SHARES	AMOUNT	SHARES	AMOUNT
Authorized without nominal or par value	10,000,000		10,000,000	
Issued for cash	2,080,000	2,207,600	2,080,000	2,207,600
Issued on conversion of preferred stock	3,107,868	19,124,049	3,107,868	19,124,049
Issued under officers' and employees' stock purchase plan	354,037	3,661,599	346,607	3,493,161
Issued on exercise of stock purchase warrants	355,470	4,443,375	355,470	4,443,375
	5,897,375	$ 29,436,623	5,889,945	$ 29,268,185

NOTE:

	1963	1962
Common shares reserved for issue to officers and employees	185,396 shares	191,326 shares

COMPARATIVE FINANCIAL STATISTICS

DEC. 31	*Total Assets*	*Net Receivables*	*Deferred Income*	*Secured Term Notes*	*Debentures*	*Preferred Stock*	*Total Shareholders' Equity (including Preferred)*
1963	747,796,540	671,000,137	55,473,135	189,442,020	84,344,000	11,591,300	100,385,298
1962	669,876,558	597,642,844	54,485,627	173,095,770	86,712,000	17,165,550	101,114,714
1961	606,590,513	525,663,924	52,242,814	145,844,583	80,883,000	17,635,550	96,241,456
1960	626,879,956	539,991,408	55,047,787	136,751,770	72,637,000	18,059,400	88,312,643
1959	567,221,538	486,062,732	48,688,885	107,781,270	65,679,000	18,480,500	80,964,707
1958	474,807,614	436,742,321	40,834,059	97,490,270	59,059,000	18,794,700	74,819,460
1957	460,052,534	433,695,139	37,286,952	90,051,270	54,923,000	19,320,700	68,942,469
1956	448,305,592	429,305,888	36,538,174	82,230,625	39,793,000	19,761,700	65,052,869
1955	348,984,015	331,637,883	26,484,642	64,825,938	36,804,000	10,000,000	51,825,122
1954	268,265,143	245,646,566	20,441,907	58,825,938	38,050,000	8,993,550	40,957,220
1953	308,867,936	287,775,162	22,361,646	53,325,938	26,100,000	13,484,550	37,594,400
1952	263,215,168	249,025,473	19,254,175	50,000,000	16,780,000	8,682,780	26,956,870
1951	162,937,604	148,623,422	7,987,858	50,000,000	12,000,000	4,309,864	16,173,667
1950	145,085,675	139,174,101	9,218,795	50,000,000	10,000,000	5,079,899	14,671,688
1945	15,211,864	13,765,464	548,269	—	1,730,000	1,500,000	3,897,828
1940	17,525,738	15,424,898	682,965	—	1,880,000	1,500,000	3,462,127
1935	7,748,091	7,029,531	268,067	—	876,500	—	1,105,470
1930	6,065,161	5,320,077	202,182	—	1,000,000	—	1,041,770

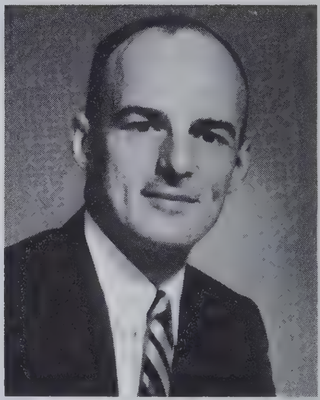
Figures prior to December 31, 1961 reflect the two-for-one divisions of common shares in October 1961, September 1956, August 1952 and August 1948.

**Excluding the accounts of The Sovereign Life Assurance Company of Canada.*

INDUSTRIAL ACCEPTANCE CORPORATION LIMITED and SUBSIDIARY COMPANIES*

Gross Income	*Interest on all Borrowings*	*Expenses and Depreciation*	*Provision for Income Taxes*	*Earned on Common Stock*	*Common Shares Outstanding*	*Earnings per Common Share*	*Amount Paid per Common Share*
86,162,424	26,637,518	27,397,304	11,567,850	10,851,188	5,897,375	1.84	1.02½
82,385,384	22,853,057	26,045,494	12,434,563	10,924,175	5,889,945	1.85	1.00
84,351,835	22,234,940	24,888,098	13,093,636	11,683,903	5,855,026	1.99	.95
80,810,050	23,859,342	22,950,268	11,764,420	11,218,228	5,655,946	1.98	.87½
68,486,922	19,619,184	20,159,754	10,400,494	10,008,987	5,533,042	1.80½	.80
60,470,795	14,838,354	18,351,653	9,895,984	9,829,385	5,463,292	1.79½	.75
58,464,390	17,363,141	16,299,456	8,128,382	8,254,552	5,402,514	1.52½	.70
51,713,950	13,387,676	15,862,424	7,133,230	7,940,819	5,374,734	1.47½	.66¼
40,092,205	8,007,724	13,314,452	6,364,888	7,003,918	5,370,180	1.30	.62½
39,489,265	9,021,582	12,486,742	6,610,711	6,292,311	4,670,096	1.34½	.62½
42,369,155	9,671,966	11,901,168	7,170,318	6,422,361	4,075,928	1.57½	.50
30,260,536	5,830,753	8,334,418	5,628,968	4,723,838	3,655,656	1.29	.40⅝
22,065,099	5,151,645	6,415,649	3,381,979	2,778,737	2,831,056	.98	.37½
16,877,036	3,702,510	5,168,705	1,861,336	2,577,110	2,643,648	.97½	.37½
1,943,627	271,582	1,319,700	139,889	137,456	1,465,168	.09	.03⅛
1,778,878	505,815	876,164	153,760	168,138	1,444,272	.11½	.10 9/10
959,131	298,742	588,783	12,270	77,336	1,280,000	.06	—
920,396	299,840	486,569	6,300	64,370	1,280,000	.05	.01 2/5

THE SOVEREIGN LIFE ASSURANCE COMPANY OF CANADA



W. R. Livingston,
Vice-President and Managing Director.

Your company now holds 99.2% of the capital stock of The Sovereign Life Assurance Company of Canada. The balance sheet and statement of revenue on the facing page record the results of Sovereign operations for its first full year as a member of the IAC Group.

The report of the Sovereign directors to policyholders and shareholders for 1963 said, "The statements and sales figures reflect the advantages which have accrued to Sovereign Life as a direct result of its affiliation with IAC. Payments and dividends to policyholders and beneficiaries including the amounts set aside to increase policyholders' reserves and future dividends totalled $5,202,000. The policyholders' dividend scale was changed during the year resulting in a 12% increase."

The executive officers of Sovereign include: J. H. L. Ross, President; W. R. Livingston, Vice-President and Managing Director; M. Barker, Secretary; R. J. McBey, Comptroller and A. L. Thomson, Associate Actuary.

IAC shareholders who would like to receive a copy of the Sovereign report may obtain one by writing to The Secretary, Industrial Acceptance Corporation Limited, 1320 Graham Boulevard, Montreal 16.

SELECTED SOVEREIGN LIFE STATISTICS 1950 TO 1963

(Millions of Canadian Dollars)

	1963	1962	1961	1960	1955	1950
Insurance in force:						
Ordinary	229.5	216.2	212.8	208.3	154.7	102.4
Group	191.5	2.6	—	—	—	—
New Business Written:						
Ordinary	29.3	23.8	24.2	27.4	23.1	15.1
Group	190.6	0.7	—	—	—	—
Policy reserves	40.6	37.2	35.7	34.0	25.7	17.5
Total assets	48.5	46.1	43.5	41.2	30.1	20.4
Net Interest earned: Per cent	5.31%	5.21%	5.07%	4.89%	4.13%	3.81%

AUDITORS' REPORT TO THE POLICYHOLDERS AND SHAREHOLDERS. We have examined the balance sheet of The Sovereign Life Assurance Company of Canada as at December 31, 1963, and the statement of revenue for the year ended on that date and have obtained all the information and explanations we have required. Our examination included verification of the cash and investments in bonds and stocks by inspection or by certificates from the depositories, a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

The reserves and other liabilities under the various assurance and annuity contracts are stated at amounts certified by the company's actuary and have been accepted by us.

In our opinion, based upon our examination and upon the certification referred to above and according to the best of our information and the explanations given to us and as shown by the books of the company, the accompanying balance sheet and the statement of revenue are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at December 31, 1963 and the results of its operations for the year ended on that date, in accordance with accounting practices appropriate to the insurance laws of Canada, applied on a basis consistent with that of the preceding year.

McDonald, Currie & Co.
Chartered Accountants.

WINNIPEG, Canada, January 24, 1964

THE SOVEREIGN LIFE ASSURANCE COMPANY OF CANADA

STATEMENT OF REVENUE

for the year ended December 31, 1963

	1963	1962
	(Thousands of Dollars)	
REVENUE		
Premiums	$5,224	$4,761
Interest, dividends and rents, less related expenses — $308,406 (1962 — $286,859)	2,433	2,263
Net profit on disposal of securities, less write down — $118,500 (1962 — $30,705)	2	9
	$7,659	$7,033
EXPENDITURE		
Amounts paid to or set aside for policyholders and beneficiaries		
Death and disability claims	$1,345	$ 788
Matured endowments	570	417
Annuity benefits	222	213
Surrender values	1,403	1,378
Increase in reserves for future payments to policyholders and beneficiaries	1,257	1,455
Interest credited to funds on deposit	97	87
	$4,894	$4,338
Head office, general and agency expenses	1,668	1,561
Pension and insurance fund contributions	97	108
Taxes, licences and fees (1962 includes income taxes of $31,311 in respect of amount credited to shareholders)	117	141
	$6,776	$6,148
EXCESS OF REVENUE FOR THE YEAR	$ 883	$ 885
ALLOCATED AS FOLLOWS:		
Dividends to policyholders	$ 308	$ 220
Dividends to shareholders	—	30
Increase in investment reserve	—	200
Increase in unassigned surplus	575	435
	$ 883	$ 885

BALANCE SHEET

as at December 31, 1963

ASSETS	1963	1962	1963	1962
	(Thousands of Dollars)		*(Percentages)*	
Bonds and debentures, at amortized cost or less — (Note)	$22,862	$22,458	47.12	48.73
Common and preferred stocks, at amortized cost or less (Note)	2,048	2,161	4.22	4.69
First mortgages on real estate	18,322	16,370	37.76	35.52
Loans on policies, secured by cash values	2,592	2,536	5.34	5.50
Real estate —				
Head office premises, at cost, less accumulated depreciation — $126,000 (1962 — $105,000)	1,196	1,007	2.46	2.18
Purchased for income, at cost, less amounts written off — $11,587 (1962 — $8,180)	474	653	0.98	1.42
Cash	229	205	0.47	0.44
Premiums in course of collection	313	232	0.65	0.50
Investment income due and accrued	467	451	0.96	0.98
Other assets	21	19	0.04	0.04
	$48,524	$46,092	100.00	100.00

LIABILITIES	1963	1962	1963	1962
	(Thousands of Dollars)		*(Percentages)*	
Reserves for insurance and annuity contracts in force	$38,437	$37,181	79.21	80.67
Policyholders' funds on deposit	2,170	2,027	4.47	4.40
Policy claims in course of settlement and provision for unreported claims of $150,000 (1962—$100,000)	461	296	0.95	0.64
Mortgagors' tax prepayments	450	394	0.93	0.85
Premium income and other taxes accrued	50	65	0.10	0.14
Other liabilities and accruals	220	188	0.45	0.41
Provision for dividends to policyholders	705	608	1.46	1.32
Staff and agents' pension and insurance funds	913	790	1.88	1.71
	$43,406	$41,549	89.45	90.14
Investment reserve	$ 1,000	$ 1,000	2.06	2.17
Unassigned surplus	3,813	3,238	7.86	7.02
Capital stock — 8,406 shares of $100 each of which 4 shares are fully paid and 8,402 shares are $25 paid up	210	210	0.43	0.46
Shareholders' surplus	95	95	0.20	0.21
	5,118	4,543	10.55	9.86
	$48,524	$46,092	100.00	100.00

NOTE: Valuation of bonds and debentures and preferred and common stocks:

	1963	1962
Value stated in the balance sheet	$24,910	$24,619
Estimated market value	25,424	24,611
Maximum value at which these securities may be carried as prescribed by the insurance laws of Canada	25,946	24,997

PETER D. CURRY, *Director* T. BRUCE ROSS, *Director*

FULLY INTEGRATED FINANCING

IAC services have been described as "fully integrated financing". The description is an apt one. In a single phrase it suggests three distinguishing features of the IAC organization: depth and thoroughness of performance; a wide variety of financial services; complete financing facilities for Canadians and Canadian business.

The concept of IAC's services has changed considerably in the 39 years since your company originated as a one-office operation in Walkerville, Ontario. In those days, the financing of instalment sales was a new and relatively untried idea. With credit-buying of durables confined largely to the motor vehicle industry, a handful of fledgling sales finance companies provided the only source of instalment credit. Their services consisted mainly of financing inventories, buying retail sale contracts from automobile dealers and collecting the amounts as instalments matured. At that time, other financial institutions displayed little or no interest in extending consumer purchase credit, particularly when movable goods were involved.

CREDIT BUYING INCREASES

Each year, as consumers began to make more and more instalment purchases of durable goods of all types, competition to provide such services increased. The number of sales finance companies has since multiplied several times over. Almost every other type of financial institution now offers funds to prospective credit buyers in an attempt to turn the retailer's credit accounts into a new market for direct lending.

With these changing conditions have come significant changes in the responsibilities of your parent company to the manufacturers, distributors and dealers it serves. Today, IAC services and plans embrace every aspect of instalment selling in almost every industry where credit sales are made.

Your company's success depends entirely on its ability to provide manufacturers and dealers with the soundest, most economical way to provide instalment credit services for the buying public and help dealers enhance their time buying market.

EXTRA SERVICES PROVIDED

The following are some of the extra services your parent company now provides to assist retailers in obtaining maximum market penetration: convenient, low-cost, life-insured purchase credit plans for dealers' customers; easy-to-use, legally up-to-date contract forms; monthly payment charts; efficient credit appraisal, collection service and performance undertakings for dealers' profit protection; salesman oriented time sales development programs; advertising, sales promotion and merchandising support.

More importantly, IAC provides the depth of experience necessary to achieve the delicate balance between "sound equity" credit that keeps merchandise sold and "no down payment and long term" credit that makes sales unsound.

IAC offers local service and the necessary capital on a completely flexible, yet stable, basis to expand and contract with seasonal fluctuations in sales and on a national scale to cope with the geographical mobility of the merchant's customer. Moreover, your company's services for the retailer must complement the marketing policies of the manufacturer whose products the retailer sells, at a cost that will not inhibit instalment sales.

That your company has had some degree of success in providing this kind of integrated service is suggested by the number of manufacturers, distributors and dealers it serves. During 1963, IAC purchased instalment sales contracts from over 10,000 merchants — many with multiple retail outlets. In addition, your company's service is recommended to the dealer organizations of 158 major manufacturers with whom IAC has negotiated national financing arrangements.

LONG TERM PROSPECTS GOOD

As the largest sales finance company in Canada, IAC plays the leading role in an industry whose future prospects continue to be bright. The retailer has come to recognize his credit customers as

being his most valuable source of business. The point of sale remains the most efficient and most convenient place to provide purchase credit for the consumer.

By using your parent company's facilities and services, IAC dealers can appeal to a broader market and thus make more credit sales more safely and more economically than by carrying their own paper. As more people become aware of the fact that the dealer's credit plans are competitively, priced, sound and more convenient, correspondingly greater use will be made of them. Conversely as direct lenders find they cannot safely continue to compete for consumer credit business on the basis of "no down payment and long-term financing", fewer consumers will borrow to buy.

Every successful merchant must provide point-of-sale credit services for his customers. By making it possible for thousands of merchants to grant this essential service on a sound basis, your company will continue to achieve a permanent and important position in the business community.

FINANCING FOR CANADIAN BUSINESS

"Fully-integrated financing" also describes your company's business from the point of view of variety of service. As indicated below, IAC's group of financial services — singly or in combination — can fill nearly every requirement of Canadian business between traditional banking services and public financing.

INDUSTRIES SERVED

Purchase credit plans and sales finance services are available for every industry where they can facilitate the movement of durable goods or major services from manufacturers, distributors or dealers into the hands of the buying public.

Products and services financed include: new and used motor vehicles, farm machinery; furniture, ranges, refrigerators, freezers and other domestic appliances; television, high-fidelity equipment and radio; marine equipment; mobile homes; plumbing, heating and air-conditioning installations; prefabricated homes, cottages and garages; property improvements; professional equipment for doctors and dentists and many others.

EQUIPMENT FINANCING AND LEASING

Capital equipment financing for business, industry and commerce, and the financing of farm and transportation equipment and motor vehicle fleets have always been important sources of business for your parent company. In recent years, the interest shown in leasing equipment rather than in its outright purchase led your company to establish comprehensive lease plans. Now, IAC Industrial Division branches across Canada specialize in both industrial and commercial equipment financing *and* leasing.

BUSINESS LOANS AND MORTGAGES

Through its Capital Funds Division your parent company provides a substantial amount of short and medium term capital for Canadian business. Loans range from $25,000 to $1,000,000 or more and are available on reasonable terms and conditions without a call on equity or interference in the management of the borrowing business. Through Capital Funds (IAC) Limited and Capital Funds (IAC Ontario) Limited, interim and medium term mortgage loans are available on industrial and commercial property.

INDUSTRIAL-TALCOTT

ITL

COMMERCIAL FINANCING AND FACTORING

Through Industrial-Talcott Limited, an associated company jointly owned by IAC and James Talcott, Inc., of New York, your company provides a financing and factoring service for Canadian business. ITL's function is to provide financial assistance in cases where rapid expansion, undercapitalization or special circumstances have made it difficult for the small or medium sized business to obtain adequate financing elsewhere.

J. S. Land,
President.

NIAGARA FINANCE COMPANY

Niagara Finance Company Limited is IAC's consumer loan subsidiary. It extends instalment cash loans up to $1,500 under the Small Loans Act and larger loans to individuals and small businesses usually up to $5,000.

Acquired in 1946, this company has grown steadily from a single office operation to become the largest Canadian-owned consumer loan company operating 235 branch offices in Canada and five in the United Kingdom. At year end, it was serving over 200,000 individual borrowers with total loans outstanding of 114 million dollars.

NIAGARA REALTY LIMITED and NIAGARA MORTGAGE & LOAN COMPANY LIMITED

Niagara Realty Limited, operating in Ontario, and *Niagara Mortgage & Loan Company Limited*, operating in the rest of Canada, commenced business during 1963 to provide mortgage facilities for Canadian home owners. The new companies specialize in first, second and balance-of-sale mortgage financing on homes, farms and small revenue-producing properties. Individual loans range up to $20,000 with repayment schedules available up to 15 years. Niagara mortgage company features include equitable all-inclusive rates at competitive industry levels, prepayment privileges at any time without penalty.

ROYAL TRUST - NIAGARA COMBINED MORTGAGES

The Niagara mortgage companies have joined with The Royal Trust Company to offer Canadians two important new services: a national Transferee Real Estate Service and Royal Trust-Niagara Combined Mortgages.

Under the Transferee service, a homeowner who is transferred by his employer need not wait until he receives the proceeds of the sale of his home before buying in his new location. A temporary Niagara mortgage and employer co-operation are keys to the success of the program.

The Royal Trust-Niagara Combined Mortgages provide financing up to 83⅓% of the appraised value of a residential property with the Royal Trust financing 66⅔% and Niagara financing 16⅔%. Combined mortgage rates will be one-quarter of one per cent above prime first mortgage rates subject to a 2% combined mortgage fee. The Niagara portion may be prepaid at any time, in which case the rate will immediately drop back by ¼% per annum to normal first mortgage rates and payments are reduced accordingly. Combined Mortgages are available from any Niagara mortgage or Royal Trust office across Canada.

R. L. Grout,
Vice-President and
Managing Director.

MERIT INSURANCE

Adequate specialized fire and casualty insurance services are essential to fully integrated financing. Without a stable market for fire, theft and collision insurance, your company could not provide adequate protection for the manufacturers, distributors and dealers it serves.

MERIT INSURANCE COMPANY

Merit Insurance Company, another member of the IAC Group of Companies, provides these specialized services for motor vehicle dealers and their customers:

Wholesale Insurance — on a single blanket basis, covers vehicles ordered by dealers while in transit from the manufacturer and while in the dealer's inventory against a wide range of physical damage and transportation hazards. Vehicles being driven from the factory to the dealership are covered by drive-away insurance.

Automobile Insurance — provides maximum comprehensive and collision coverage at the point of sale from the moment the vehicle is driven from the dealer's showroom, for those who would like to insure through Merit Insurance Company. In case of accident, Merit undertakes to return the vehicle to the selling dealer for repairs when practical.

Special "All-Risk" Coverage—is provided by Merit under special plans for a wide range of industrial, commercial and farm equipment and for consumer durables financed by IAC.

In addition, most consumer products and many classes of commercial and industrial equipment financed through IAC dealers can be automatically insured against a wide variety of physical damage hazards.

Merit Insurance Company is also writing an increasing amount of automobile and residential fire insurance direct with the public. Merit's new Homeowner policy provides all-inclusive coverage in one policy at one low premium against fire, theft and many other hazards as well as personal liability coverage for the home owner and his family.

SOVEREIGN LIFE

The Sovereign Life Assurance Company of Canada contributes to IAC fully integrated financing through conventional mortgage lending on residential and commercial properties, its annuity savings programs, pension funds and personal financial planning services.

In addition, it has been the custom of your parent company to provide family protection in the form of life insurance coverage at no additional cost on most contracts covering the purchase of motor vehicles, other consumer products and farm equipment. Since February 1, 1963, this credit life insurance has been provided by The Sovereign Life Assurance Company of Canada.

THE IAC GROUP OF COMPANIES

providing financial and insurance services for Canadians and Canadian business through 496 branch offices

INDUSTRIAL ACCEPTANCE CORPORATION LIMITED

Chairman of the Board: G. E. Wemp *Vice-Chairman of the Board:* J. H. Ranahan

President: J. B. Pennefather

Sales Financing Services • Purchase Credit Plans
Equipment Financing • Fleet Financing • Business Loans
Interim Financing • Leasing Services

INDUSTRIAL-TALCOTT LIMITED

President: J. H. L. Ross

Accounts Receivable Financing • Rediscounting
Factoring • Interim Mortgage Financing

MERIT INSURANCE COMPANY

President: J. H. L. Ross *Vice-President and Managing Director:* R. L. Grout

Automobile Insurance • Regular Fleet Insurance
Comprehensive Home Insurance • Fleet Leasing Insurance
Personal Liability Insurance

NIAGARA FINANCE COMPANY LIMITED

President: J. S. Land *Vice-President and General Manager:* B. F. London

Consumer Loans • Small Business Loans

NIAGARA MORTGAGE & LOAN COMPANY LIMITED
NIAGARA REALTY LIMITED

President: J. S. Land *Vice-President and General Manager:* B. F. London

First and second mortgage loans, balance-of-sale or purchase money financing
on homes, farms and small revenue-producing properties.

THE SOVEREIGN LIFE ASSURANCE COMPANY OF CANADA

President: J. H. L. Ross *Vice-President and Managing Director:* W. R. Livingston

Life Insurance • Key Man Insurance
Estate Planning • Partnership Insurance

Veuillez me faire parvenir un exemplaire, en français, du rapport annuel de l'IAC.

Please send me a copy of the IAC Annual Report in French.

Nom ____

(En lettres moulées s.v.p.)

Adresse ____

____

____

Veuillez indiquer si vous possédez des actions ordinaires ☐ ou privilégiées ☐

Please indicate if you hold common ☐ or preferred ☐ shares.

BUSINESS REPLY CARD
No Postage Stamp Necessary if Mailed in Canada

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The Secretary
INDUSTRIAL ACCEPTANCE CORPORATION LIMITED
1320 Graham Blvd.
Montreal 16, P.Q.

INDUSTRIAL ACCEPTANCE CORPORATION LIMITED

Incorporated in 1925
under the laws of Canada

EXECUTIVE OFFICES Montreal 16, Quebec

HEAD OFFICE Toronto, Ontario

REGISTRARS

Common Stock
EASTERN & CHARTERED TRUST COMPANY,
Montreal and Toronto

THE ROYAL TRUST COMPANY,
Vancouver

Common Stock
EMPIRE TRUST COMPANY,
New York

Preferred Stock
MONTREAL TRUST COMPANY,
Montreal, Toronto and Vancouver

STOCK LISTINGS

MONTREAL STOCK EXCHANGE
TORONTO STOCK EXCHANGE
VANCOUVER STOCK EXCHANGE

AUDITORS

McDONALD, CURRIE & CO.,
Montreal

BANKERS

THE ROYAL BANK OF CANADA
BANK OF MONTREAL
CANADIAN IMPERIAL BANK OF COMMERCE
THE TORONTO-DOMINION BANK
BANQUE CANADIENNE NATIONALE
MORGAN GUARANTY TRUST COMPANY OF NEW YORK

TRANSFER AGENTS

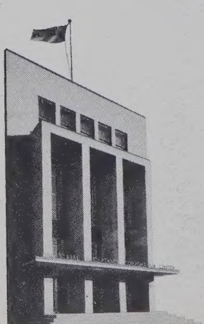
Common Stock
MONTREAL TRUST COMPANY,
Montreal, Toronto and Vancouver

Common Stock
EMPIRE TRUST COMPANY, New York

Preferred Stock
THE ROYAL TRUST COMPANY,
Montreal, Toronto and Vancouver

It has been a pleasure for the Directors and Officers of your company to give you, within the limits reasonably possible in this Annual Report, an explanation of the nature and conduct of your company's business.

We would welcome a personal visit or letter from you at any time. This would give us an opportunity to go into greater detail with you. We would also like and respectfully urge you to attend the shareholders' meetings whenever convenient.



INDUSTRIAL ACCEPTANCE CORPORATION LIMITED

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